

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00
FRB-03 XMB-02 CIAE-00 INR-07 NSAE-00 CAB-02 DODE-00
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ROME FOR RCAA

E.O.11652: N/A
TAGS: EAIR BEXP IN
SUBJECT: BOEING SALES TO INDIAN AIRLINES AND AIR INDIA

REF: NEW DELHI 17761, ND16229

1. AT THE SUGGEATION OF A.H. MEHTA, CHAIRMAN, INDIAN AIRLINES, THE CHARGE CALLED ON MOF SECRETARY FOR EXPENDITURES, G. RAMACHANDRAN, WHO IS CHAIRMAN OF THE PUBLIC INVESTMENT BOARD. RAMACHANDRAN INDICATED THAT THE PIB HAD NOT SCHEDULED THE CASE FOR REVIEW, BUT THAT HE HOPED TO DO SO BY THE END OF THIS MONTH. THE CARGE REITERATED THAT THE EXIM BANK OFFER OF LAST AUGUST WAS IN EFFECT AND URGED AN EARLY DECISION ON THE CASE.

2. LATER WE REVIEWED THE CURRENT STATUS OF BOEING SALES OFFORTS WITH BOEING REPRESENTATIVE, FITZGERALD. FITZGERALD HAD VISITED INDIAN AIRLINES EARLIER IN THE DAY. AIRLINE OFFICIALS TOLD HIM THAT PLANNING COMMISSION HAD REAISED SOME
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WUESTION, BUT COMMISSION'S APPROVAL WAS EXPECTED THIS WEEK. ON THIS BASIS, SLE WOULD GO BEFORE PUBLIC INVESTMENT BOARD IN A WEEK OR TEN DAYS. CABINET CONSIDERATION MIGHT WELL SLIP TO EARLY JANUARY.

3. FITZGERALD WAS CONFIDENT THAT COMPANY'S PROPOSAL WOULD BE

APPROVED BY THESE VARIOUS REVIEWING BOARDS. HE SAID INDIAN AIRLINES HAD NEVER FAILED TO GET GOVERNMENT APPROVAL FOR PROVISIONAL SALES CONTRACT. 737 AIRFRAMES HAD ALREADY ENTERED BOEING PRODUCTION LINE.

4. FITZGERALD HAD PREVIOUSLY THAT DAY OBTAINED FINAL SALES CONTRACT FOR AIR INDIA'S SIXTH 747. HE EXPECTS THAT FINAL CONTRACT FOR SEVENTH 747 WILL BE SIGNED BY MID-JANUARY. HE PLACED TOTAL COST FOR BOTH PLANES AT ABOUT \$90 MILLION. FITZGERALD UNDERSTANDS THAT THIS PURCHASE IS BEING FINANCED BY STATE BANK OF INDIA DRAWING ON COUNTRY'S GOOD CURRENT

FOREIGN EXCHANGE RESERVE POSITION. GOI CHOSE NOT TO PURSUE FEELERS FROM FOREIGN COMMERCIAL BANKS TO PROVIDE FINANCING FOR 747 PURCHASES.
SCHNEIDER

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